



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MONTGOMERY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MONTGOMERY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Montgomery County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Debt Obligations:**

Total bonded debt principal as of June 30, 2000, was \$705,156. Future collections of \$1,091,107 are needed over the next 14 years to pay all bonded debt and principal.

Capital lease principal agreements totaled \$398,805 as of June 30, 2000.

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable B. D. Wilson, Montgomery County Judge/Executive  
Members of the Montgomery County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Montgomery County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Montgomery County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Montgomery County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Montgomery County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable B. D. Wilson, Montgomery County Judge/Executive  
Members of the Montgomery County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2001 on our consideration of Montgomery County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Montgomery County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 28, 2001

MONTGOMERY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

B. D. Wilson	County Judge/Executive
F. M. Sponcil	Commissioner
Tom Prewitt	Commissioner
Lloyd Cassidy	Commissioner

**Other Elected Officials:**

Paul Cowden	County Attorney
Everett Dwayne Myers	Jailer
Judy Long Witt	County Clerk
Fred Shortridge	Sheriff
Jeff Garrison	Property Valuation Administrator
Wallace Johnson	Coroner

**Appointed Personnel:**

Brenda Mapel	County Treasurer
Kaye Rogers	Occupational Tax Collector
Brenda Jackson	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MONTGOMERY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 130,211	
Investments	1,300,000	
Road and Bridge Fund:		
Cash	52,144	
Jail Fund:		
Cash	5,923	
Payroll Revolving Account - Cash	<u>1</u>	\$ 1,488,279

Special Revenue Fund Type

Finneran Fund:

Cash	\$ 9,300	
Investments	75,000	
Health and Civic Center Fund:		
Cash	84,604	
Investments	150,000	
Revolving Loan Fund:		
Cash	118,740	
Investments	<u>50,000</u>	487,644

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Annex General		
Lease Obligations - (Note 5)		398,805
Jail Fund:		
Amounts to be Provided in Future Years for Jail		
Bond Principal Payments (Note 4)		<u>705,156</u>
Total Assets and Other Resources		<u><u>\$ 3,079,884</u></u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Obligation - (Note 5)	\$	705,156	
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Jail Fund:

Bond Principal Payments (Note 4)		398,805	
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Payroll Revolving Account - Cash		<u>1</u>	\$ 1,103,962
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$	1,430,211	
Road and Bridge Fund		52,144	
Jail Fund		<u>5,923</u>	1,488,278

Special Revenue Fund Type

Finneran Fund	\$	84,300	
Health and Civic Center Fund		234,604	
Revolving Loan Fund		<u>168,740</u>	<u>487,644</u>

Total Liabilities and Fund Balances			<u><u>\$ 3,079,884</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES



MONTGOMERY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Receipts</u>				
Schedule of Operating Revenue	\$ 5,766,503	\$ 3,587,625	\$ 700,691	\$ 1,147,716
Other Financing Sources:				
Transfers In	999,269	100,000	600,000	244,725
Kentucky Advance Revenue Program	1,980,220	1,980,220		
Total Cash Receipts	<u>\$ 8,745,992</u>	<u>\$ 5,667,845</u>	<u>\$ 1,300,691</u>	<u>\$ 1,392,441</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,679,099	\$ 2,807,061	\$ 1,176,019	\$ 1,364,050
Other Financing Uses:				
Transfers Out	999,269	899,269	100,000	
Jail Capital Lease Obligation:				
Principal	27,757			27,757
Annex Capital Lease Obligation:				
Principal	73,109	73,109		
Kentucky Advance Revenue Program Repaid	1,980,220	1,980,220		
Total Cash Disbursements	<u>\$ 8,759,454</u>	<u>\$ 5,759,659</u>	<u>\$ 1,276,019</u>	<u>\$ 1,391,807</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (13,462)	\$ (91,814)	\$ 24,672	\$ 634
Cash Balance - July 1, 1999 *	<u>1,989,384</u>	<u>** 1,522,025</u>	<u>27,472</u>	<u>5,289</u>
Cash Balance - June 30, 2000 *	<u>\$ 1,975,922</u>	<u>\$ 1,430,211</u>	<u>\$ 52,144</u>	<u>\$ 5,923</u>

\* Cash Balance Includes Investments

\*\*Does not agree to prior year ending balance due to prior year voided checks.

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

General Fund Types		Special Revenue Fund Types				
Local Government Economic Assistance Fund	Finneran Fund	Health and Civic Center Fund	Emergency Food and Shelter Fund	Juvenile Justice Fund	Revolving Loan Fund	
\$ 79,957	\$ 3,693	\$ 136,344	\$ 9,786	\$ 25,770	\$ 74,921	
				54,544		
<u>\$ 79,957</u>	<u>\$ 3,693</u>	<u>\$ 136,344</u>	<u>\$ 9,786</u>	<u>\$ 80,314</u>	<u>\$ 74,921</u>	
\$ 79,957	\$ 900	\$ 137,838	\$ 9,786	\$ 80,314	\$ 23,174	
<u>\$ 79,957</u>	<u>\$ 900</u>	<u>\$ 137,838</u>	<u>\$ 9,786</u>	<u>\$ 80,314</u>	<u>\$ 23,174</u>	
\$ 0	\$ 2,793	\$ (1,494)	\$ 0	\$ 0	\$ 51,747	
	81,507	236,098			116,993	

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Montgomery County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional – Montgomery County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Montgomery County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Montgomery County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Montgomery County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA).

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Finneran Fund, the Health and Civic Center Fund, the Emergency Food and Shelter Fund, the Juvenile Justice Fund, and the Revolving Loan Fund of the Fiscal Court are reported as Special Revenue Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Montgomery County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Montgomery County Fiscal Court: Jail Commissary.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds.

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 4. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$3,980,885 of revenue bonds at various interest rates, of which the county has agreed to pay \$961,340 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 2000, totaled \$705,156.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000-2001	\$ 43,778	\$ 29,517
2001-2002	41,847	31,389
2002-2003	39,793	33,379
2003-2004	37,610	35,496
2004-2005	35,287	37,747
2005-2014	<u>187,636</u>	<u>537,628</u>
Totals	<u>\$ 385,951</u>	<u>\$ 705,156</u>

Note 5. Lease-Purchase Agreements

The county entered into a lease purchase agreement on June 2, 1995, with Kentucky Association of Counties Leasing Trust for renovation of the courthouse annex. The original principal was \$750,000. The interest rate is 4% and termination date is June 1, 2005. The principal outstanding as of June 30, 2000 is \$398,805.

<u>Due Date</u>	<u>Scheduled Principal</u>
2000-2001	\$ 76,066
2001-2002	74,635
2002-2003	83,360
2003-2004	87,259
2004-2005	<u>77,485</u>
Totals	<u>\$ 398,805</u>

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2000, Montgomery County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Montgomery County Jail Canteen Fund had a beginning balance of \$40,980 with total receipts of \$102,964 and expenditures of \$110,018 leaving an ending balance of \$33,926 at June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MONTGOMERY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,141,955	\$ 3,587,625	\$ 445,670
Road and Bridge Fund	669,467	700,691	31,224
Jail Fund	1,117,305	1,147,716	30,411
Local Government Economic Assistance Fund	86,742	79,957	(6,785)
<u>Special Revenue Fund Type</u>			
Finneran Fund	3,682	3,693	11
Health and Civic Center Fund	129,861	136,344	6,483
Emergency Food and Shelter Fund	9,786	9,786	
Juvenile Justice Fund	7,500	25,770	18,270
Revolving Loan Fund	73,323	74,921	1,598
Totals	<u>\$ 5,239,621</u>	<u>\$ 5,766,503</u>	<u>\$ 526,882</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,239,621
Add: Budgeted Prior Year Surplus			<u>2,427,252</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,666,873</u>

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SCHEDULE OF OPERATING REVENUE



MONTGOMERY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND TYPES

	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
<hr/>			
REVENUE:			
Taxes	\$ 2,922,598	\$ 2,922,598	\$
Excess Fees	249,523	249,523	
License and Permits	82,468	82,468	
Intergovernmental Revenues	1,998,589	1,932,672	65,917
Charges for Services	40,042	26,313	13,729
Miscellaneous Revenues	334,228	180,819	153,409
Interest Earned	139,055	121,596	17,459
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Total Operating Revenue	<u>\$ 5,766,503</u>	<u>\$ 5,515,989</u>	<u>\$ 250,514</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





MONTGOMERY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,276,245	\$ 1,274,403	\$ 1,842
Protection to Persons and Property	1,379,439	1,273,849	105,590
General Health and Sanitation	184,998	136,457	48,541
Social Services	34,700	30,670	4,030
Recreation and Culture	75,000	56,770	18,230
Roads	1,271,227	1,142,821	128,406
Airports	25,000		25,000
Debt Service	201,186	97,950	103,236
Administration	2,515,146	1,414,167	1,100,979
Total Operating Budget - All General Fund Types	\$ 6,962,941	\$ 5,427,087	\$ 1,535,854
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	2,000,000	1,980,220	19,780
Annex Capital Lease Agreement- Principal on Lease	69,840	73,109	(3,269)
Jail Capital Lease Agreement- Principal on Lease	21,706	27,757	(6,051)
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 9,054,487</u>	<u>\$ 7,508,173</u>	<u>\$ 1,546,314</u>

MONTGOMERY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 92,500	\$ 80,314	\$ 12,186
General Health and Sanitation	298,000	124,849	173,151
Social Services	9,786	9,786	
Capital Projects	8,462	900	7,562
Administration	295,184	36,163	259,021
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 703,932</u>	<u>\$ 252,012</u>	<u>\$ 451,920</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable B. D. Wilson, Montgomery County Judge/Executive  
Members of the Montgomery County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Montgomery County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated March 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montgomery County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 28, 2001

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MONTGOMERY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000





CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MONTGOMERY COUNTY FISCAL COURT

Fiscal Year Ending June 30, 2007

The Montgomery County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge Executive

  
County Treasurer